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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 EURE-00 SSO-00 NSCE-00

USIE-00 INRE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NEA-09 NSAE-00 OPIC-03 SP-02 TRSE-00

CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 SS-15 NSC-05

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INFO AMEMBASSY ANKARA

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E.O. 11652: N/A
TAGS: EGEN, OECD
SUBJECT: OECD/XCSS RESTRICTED GROUP MEETING ON TRADE
PLEDGE, INWARD INVESTMENT AND COMMODITIES

SUMMARY: THE OECD XCSS RESTRICTED GROUP SPENT MOST OF ITS FEB. 20 SESSION DISCUSSING RENEWAL OF THE OECD TRADE PLEDGE. WITH VAGUE UK RESERVATIONS, GROUP AGREED THAT 1974 PLEDGE SHOULD BE RENEWED FOR ONE YEAR WITH NO TEXTUAL CHANGES. UPDATED RATIONALE AND RELATIONSHIP TO OTHER ELEMENTS OF BROADER PROGRAM OF COOPERATIVE ACTION WOULD BE HANDLED IN LANGUAGE OF MINISTERIAL COMMUNIQUE IN WHICH RENEWAL IS PROMULGATED. CHAIRMAN JOLLES HOPES TO REACH AGREEMENT ON A RECOMMENDATION TO OECD COUNCIL AT THE MARCH 11-12 XCSS MEETING. TRADE COMMITTEE WILL BE URGED TO INTENSIFY CONSULTATION ON POSSIBLE TRANS- GRESSIONS, BUT NOT NECESSARILY IN CONJUNCTION WITH RENEWAL PROCESS. ON INVESTMENT, GROUP QUICKLY AGREED ON DIVISION OF LABOR BETWEEN OECD INVESTMENT COMMITTEE, IEA AD HOC FINANCIAL GROUP AND VAN YPERSELE GROUP WHICH IS CONSISTENT WITH US POSITION; VAN LENNEP AND JOLLES INSISTED ON PUTTING INVESTMENT ITEM AT END OF AGENDA FOR NEXT XCSS MEETING IN ORDER TO GIVE ALL OECD MEMBERS OPPORTUNITY TO HAVE EXCHANGE OF VIEWS PARALLEL TO THAT IN RESTRICTED GROUP. ON SUBSTANCE, UK, JAPAN AND CANADA INDICATED THEIR EXISTING SCREENING PROCEDURES WOULD BE OPERATED TO GIVE THEM ADEQUATE PROTECTION AGAINST UNDESIRE TAKE-OVERS. GERMANS TELEGRAPHED SIGNIFICANT MOVE ON SCREENING OPEC INVESTMENT. COMMODITIES DISCUSSION INDICATED SIGNIFICANT UK, EC COMMISSION AND VAN LENNEP SUPPORT FOR ACTIVE CONSIDERATION OF IMPLICATIONS OF PROSPECTIVE INCREASINGLY WIDE COMMODITY PRICE SWINGS. XCSS RESTRICTED GROUP WILL MEET NEXT ON MARCH 10 FOLLOWED BY XCSS PLENARY ON MARCH 11-12. MAIN AGENDA
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ITEM OF XCSS WILL BE TRADE PLEDGE RENEWAL. END SUMMARY.

1. AFTER CONSIDERABLE DISCUSSION OF CHANGES INDIVIDUAL DELEGATIONS MIGHT WANT IN UPDATING TRADE PLEDGE, RESTRICTED GROUP CAME TO CONCLUSION THAT OPENING TRADE PLEDGE WORDING TO RENEGOTIATION RUNS RISK OF UNRAVELING BASIC COMMITMENT. GROUP THEREFORE DECIDED, WITH VAGUE UK RESERVATION, TO SUPPORT EXTENSION OF 1974 PLEDGE FOR

ONE YEAR WITH NO CHANGE IN TEXT OR INTERPRETATION. IT WAS NOTED THAT LANGUAGE OF A MINISTERIAL COMMUNIQUE EMBODYING OR PROMULGATING RENEWAL COULD REFLECT UPDATED RATIONALE, AND TAKE CARE OF APPARENT UK CONCERN (SOME REFERENCE TO OBLIGATION OF COUNTRIES WITH SURPLUSES TO WORK THEM OFF). THE SECGEN WILL PREPARE A PAPER ON THE TRADE PLEDGE FOR THE MARCH XCSS INDICATING THIS GENERAL APPROACH TO RENEWAL. IN HIS SUMMING UP JOLLES EXPRESSED HOPE THAT MARCH XCSS COULD REACH AGREEMENT ON A RECOMMENDATION OF RENEWAL TO THE OECD COUNCIL. THE MAIN VEHICLE FOR PROMULGATING RENEWAL WOULD BE THE OECD MINISTERIAL, ALTHOUGH COUNCIL COULD TAKE ACTION SOMEWHAT EARLIER IF REQUIRED. UK NOTED THAT IT COULD NOT ACCEPT GENERAL PRESUMPTION THAT RENEWAL COULD BE AGREED UPON IN MARCH SINCE HMG HAD NOT REACHED FINAL DECISION.

2. US (UNDER SECRETARY OF STATE ROBINSON) STRONGLY SUPPORTED RENEWAL OF TRADE PLEDGE SUBSTANTIALLY IN ITS PRESENT FORM AND PROPOSED BEEFING UP CONSULTATION PROCEDURES ON SECTORAL TRANSGRESSIONS. VAN LENNEP TRIED TO TURN US SUGGESTION INTO SUPPORT FOR HIS PROPOSAL OF AN AUTOMOBILE SECTORAL MEETING. LATTER PROPOSAL STRONGLY OPPOSED BY EC AND OTHERS WHO FELT IT WOULD LIKELY CREATE PRESSURE FOR MATCHING RESTRICTIONS RATHER THAN A ROLLBACK OF AUSTRALIAN ACTION ON AUTOMOBILE

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IMPORTS. XCSS GROUP DECIDED TO DIRECT TRADE COMMITTEE
TO BEEF UP ITS WORK ON POSSIBLE VIOLATIONS OF TRADE
PLEDGE UNDER THE EXISTING CONSULTATION PROVISION.

3. ON INVESTMENT, GROUP QUICKLY AGREED ON DIVISION OF
LABOR BETWEEN VARIOUS COMMITTEES IN ACCORDANCE US POSI-
TION. VAN LENNEP AND JOLLES INSISTED ON PUTTING INWARD
INVESTMENT ON END OF XCSS AGENDA IN ORDER TO GIVE THE
24 OPPORTUNITY TO EXCHANGE VIEWS ON SUBJECT DISCUSSED
IN RESTRICTED GROUP. NOT TO DO SO, THEY FELT, WOULD
UNDULY BURDEN VIABILITY OF RESTRICTED GROUP PROCEDURE.
GROUP ACQUIESCED IN THIS POSITION BUT LARGE-COUNTRY

REPRESENTATIVES CLEARLY WANTED INVESTMENT COMMITTEE TO TAKE UP MAJOR TASK OF EXCHANGING INFORMATION AND, TO EXTENT POSSIBLE, HARMONIZING GROUND RULES ON INVESTMENT. COUNTRIES OTHER THAN US SPEAKING ON THIS ITEM FELL INTO TWO CATEGORIES: THOSE WHO SAID THEIR EXISTING SCREENING PROCEDURES ENABLED THEM TO PROTECT AGAINST UNDESIRE OPEC TAKE-OVERS (UK, JAPAN, CANADA) AND THOSE WHO SAID THEY WERE MOVING TO DO SO (FRG AND SWITZERLAND).

4. GERMANS IN PARTICULAR INDICATED THAT THEY WOULD PROBABLY BE SEEKING BROAD AUTHORITY TO BLOCK OPEC INVESTMENTS DEEMED INJURIOUS TO FRG ECONOMIC WELFARE AND NATIONAL SECURITY.

5. US DEL NOTED THAT WE WERE ALSO UNDER PRESSURE TO CONSIDER OUR DEFENSES BUT THAT OUR BASIC POLICY REMAINED A VERY LIBERAL ONE ON INTERNATIONAL CAPITAL FLOWS. HE NOTED THAT THE OPEC COUNTRIES WERE VERY CONCERNED ABOUT TREATMENT OF THEIR INVESTMENT AND WOULD WELCOME CLEAR AND STABLE GROUND RULES. US REP ALSO URGED THAT ALL LIMITED OFFICIAL USE

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OECD COUNTRIES KEEP IN MIND MAJOR IMPORTANCE OF LIBERAL CAPITAL MOVEMENTS WITHIN OECD AREA, AND THAT ANY NEW REPORTING OR REVIEW REQUIREMENTS OTHERS FELT COMPELLED TO ADOPT SHOULD BE ADDRESSED AS CLOSELY AS POSSIBLE TO A SPECIFIC CONCERN RATHER THAN BROAD REGULATION OF FOREIGN INVESTMENT.

6. UK DEL NOTED THAT THEY COULD BE ADOPTING SOME NEW MEASURES TO MAKE SURE THAT ALL EXISTING LEGAL SAFEGUARDS AND REQUIREMENTS APPLY TO FOREIGN OFFICIAL AS WELL AS PRIVATE INVESTORS. SWISS STRESSED RISK OF SNOWBALLING EFFECT ON NEW RESTRICTIONS IF COUNTRIES RECEIVING TOO MUCH OPEC INVESTMENT SEEK TO DEFLECT IT, FORCING OTHERS TO REACT.

7. IN SUMMING UP, JOLLES URGED THAT OECD INVESTMENT COMMITTEE REARRANGE ITS WORK SCHEDULE TO GIVE PRIORITY ATTENTION TO INWARD INVESTMENT SO THAT IT CAN MAKE MEANINGFUL CONTRIBUTION TO POLICY HARMONIZATION PROCESS AND MEET REQUEST OF IEA AD HOC GROUP FOR POSSIBLE ASSIST ON POSITION WRITING. WHILE INVESTMENT WOULD BE ON NEXT XCSS AGENDA, JOLLES FELT GROUP SHOULD BASICALLY LEAVE OPEN QUESTION OF ITS ROLE ON INVESTMENT ISSUES.

8. ON COMMODITIES, US STRESSED THAT WE DO NOT HAVE THE CHOICE OF DEALING WITH COMMODITY PROBLEM OR NOT. OECD COUNTRIES WILL EITHER SEIZE INITIATIVE OR HAVE PROBLEM THRUST ON THEM. HE SAW, THEREFORE, SOME ADVANTAGES IN

OECD COUNTRIES BEGINNING A SEPARATE COMMODITY DIALOGUE OUTSIDE OF FRAMEWORK OF A CONSUMER-PRODUCER CONFERENCE ON ENERGY (AND POSSIBLY RAW MATERIALS). US REP STATED THAT OECD COUNTRIES FACE THE PROSPECT OF RAW MATERIALS PRICE SWINGS OF INCREASING AMPLITUDE GIVEN INSUFFICIENT INVESTMENT IN PRODUCTION AND SYNCHRONIZATION OF BUSINESS CYCLE IN OECD AREA. VAN LENNEP, CHAIRMAN AND UK STRONGLY SECONDED THIS ANALYSIS BUT UK FOCUSED MORE ON LDC SIDE OF COMMODITY ISSUE THAN ANY OTHER SPEAKER. SECGEN NOTED THAT SECRETARIAT HAD SOME IDEAS FOR UNILATERAL ACTION THE OECD COUNTRIES THEMSELVES COULD TAKE ON COMMODITIES IN ADVANCE OF ANY INTERNATIONAL COMMODITY ARRANGEMENT NEGOTIATIONS. FRG REP NOTED THAT IF THIS LIMITED OFFICIAL USE

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MEANT STOCKPILING, IT WOULD HAVE GREAT DIFFICULTIES WITH SUCH AN APPROACH. VAN LENNEP AGREED TO DO BRIEF PAPER ON COMMODITIES FOR MARCH 10 XCSS RESTRICTED GROUP. XCSS PLENARY WILL HAVE OPPORTUNITY TO COMMENT ON COMMODITY ISSUES IN THE COURSE OF ITS FIRST AGENDA ITEM' GENERAL REVIEW OF ECONOMIC SITUATION FOR MARCH 11-12 MEETING. TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, COMMODITIES, POLICIES, INVESTMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP04619
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750062-0867
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750224/aaaaausv.tel
Line Count: 303
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2003 by BoyleJA>; APPROVED <07 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD/XCSS RESTRICTED GROUP MEETING ON TRADE PLEDGE, INWARD INVESTMENT AND COMMODITIES
TAGS: EGEN, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006